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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

SEDRICK D. BLAKE, CPA  
Audit/Fiscal Executive

✓  
Carnahan Courthouse Building  
1114 Market St., Room 642  
St. Louis, Missouri 63101  
(314) 622-4723  
Fax: (314) 613-3004

May 21, 2007

Jill Claybour, Acting Executive Director  
Community Development Administration (CDA)  
1015 Locust Street, Suite 1200  
St. Louis, MO 63101-1323

RE: Fiscal Monitoring Review of St. Louis Caring Communities After-School Program  
(Project #2007-CDA27)

Dear Ms. Claybour:

For the period reviewed, St. Louis Caring Communities After-School Program (Agency) did not comply with the requirements of the contract that all requests for payment of salaries must be in accordance with approved work program personnel schedule. The Agency's non-compliance has resulted in an overpayment to the Agency of \$66.00 (see Observation #3 of the enclosed fiscal monitoring report).

We are recommending St. Louis Caring Communities After-School Program repay the overpayment of \$66.00 to CDA by June 25, 2007. We are also recommending that if the Agency does not repay the overpayment by June 25, 2007, this amount be taken from the Agency's next request for reimbursement.

If you have any questions, please call Charles Schroeder at (314) 589-6089.

Respectfully,

Sedrick D. Blake, CPA  
Audit/Fiscal Executive

Enclosure

cc: Lorna Alexander, Accounting Coordinator, CDA  
Judith Holstein, Accountant II Federal Grants Section  
John Zakibe, Deputy Comptroller



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May 21, 2007

Pamela Boyd, Executive Director  
St. Louis Caring Communities - After School Program  
5140 Riverview Blvd.  
St. Louis, MO 63120

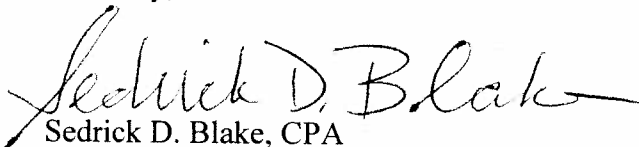
RE: Fiscal Monitoring Report of St. Louis Caring Communities (Project #2007-CDA27)

Dear Ms. Boyd:

Enclosed is a report of our fiscal monitoring review of St. Louis Caring Communities - After School Program (Contract #06-11-94) for the period July 1, 2006 through January 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of St. Louis Caring Communities - After School Program. Our fieldwork was completed on March 2, 2007.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the International Standards for Professional Practice of Internal Auditing and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients. If you have any questions, please contact Charles Schroeder at 589-6089.

Sincerely,

  
Sedrick D. Blake, CPA  
Audit/Fiscal Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, Community Development Administration  
Lorna Alexander, Fiscal Coordinator, Community Development Administration



# CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**ST. LOUIS CARING COMMUNITIES  
AFTER SCHOOL PROGRAM  
CONTRACTS #06-11-94**

**CFDA #14.218  
DOCUMENT #54599**

**FISCAL MONITORING REVIEW**

**JULY 1, 2006 THROUGH JANUARY 31, 2007**

**PROJECT #2007-CDA27**

**DATE ISSUED: MAY 21, 2007**

**Prepared by:  
The Internal Audit Section**



**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
ST. LOUIS CARING COMMUNITIES  
AFTER SCHOOL PROGRAM  
CONTRACT: #06-11-94  
FISCAL MONITORING REVIEW  
JULY 1, 2006 THROUGH JANUARY 31, 2007**

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**CITY OF ST. LOUIS  
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)  
ST. LOUIS CARING COMMUNITIES  
AFTER SCHOOL PROGRAM  
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**INTRODUCTION**

**Background**

**Contract Name:** St. Louis Caring Communities - After School Program

**Contract Number:** 06-11-94

**Contract Period:** July 1, 2006 through June 30, 2007

**Contract Amount:** \$10,000 (06-11-94)

Contract #06-11-94 (Document 54599) provided Community Development Block Grant (CDBG) funds to St. Louis Caring Communities After School Program to offer a variety of prevention and intervention programs which includes After-During School Training, Drug-Free Recreation, Pre-employment Job Placement, Teen Drop-in Center, Annual Health Fairs, Cultural Classroom Presentation, Anti-drug/Gang Taskforce, Families First Crisis Intervention, Teen Parenting Program, Case Management and Parents As Teachers etc.

**Purpose**

The purpose of our review was to determine St. Louis Caring Communities - After School Program's compliance with federal, state and local CDBG requirements for the period July 1, 2006 through January 31, 2007. We will make recommendations for improvements if necessary.

**Scope and Methodology**

We made inquiries regarding St. Louis Caring Communities - After School Program's internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on March 2, 2007. On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.

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**CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS**

**Conclusion**

We found evidence to suggest St. Louis Caring Communities - After School Program did not fully comply with federal, state and local CDBG requirements.

**Status of Prior Observations**

This is a new contract with the Community Development Agency and Internal Audit first monitoring of the Agency; therefore there are no previous observations.

**A-133 Status**

The Agency did not expend over \$500,000 for calendar year 2007; therefore, was not required to have a single audit in accordance with OMB Circular A-133...

**Summary of Current Observations**

We made recommendations for the following observations, which if implemented, could assist St. Louis Caring Communities - After School Program in fully complying with federal, state and local CDBG requirements.

1. Failure to file IRS Form 990
2. There appears to be a going concern issue
3. Payment of salaries not in accordance with approved personnel schedule (\$66.00)
4. Inadequate segregation of grant funds
5. Failure to maintain bonding
6. The Agency did not use two duly authorized signatures for checks

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**DETAILED OBSERVATION, RECOMMENDATION AND  
MANAGEMENT'S RESPONSE**

**1. Failure to File IRS Form 990**

Federal guidelines require all Not-for-Profit organizations with annual gross receipts of \$25,000 or more to file an IRS Form 990 by 15<sup>th</sup> of the fifth month following the end of the Agency's fiscal year end. This Form should also be available for public inspection upon request.

Internal Audit inquired of the Agency about its IRS Form 990 for calendar year ending December 31, 2005 and December 31, 2006. The Agency told IAS that it never filed an IRS Form 990 for any year.

As a result, the Agency did not have a copy of IRS Form 990 available for public inspection and is now subject to applicable fines and penalties. The Agency could also be fined \$20 per day up to maximum of \$10,000 per year and could have its tax-exempt status revoked.

**Recommendation**

We recommend the Agency:

1. File its IRS Form 990 for 2005 and pay all applicable penalties.
2. Ensure its IRS Form 990 for 2006 is filed timely.
3. The Agency should keep a copy of its IRS Form 990 available for public inspection at its business location.

**Management's Response**

*On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.*

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**DETAILED OBSERVATION, RECOMMENDATION AND  
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**2. There appears to be a Going Concern Issue**

There is a presumption that agencies receiving federal funds will provide grant specified services to its customers on a continual basis and will have the financial stability to accomplish the same. Working capital is a measure of an organization's ability to realize assets and satisfy liabilities in the normal course of business.

The Agency's Balance Sheet dated January 31, 2007, showed a negative working capital of \$2,496. The Agency has been operating with a negative working capital as shown by the Agency's financial statements for the contract year. Based upon this fact, it appears the Agency may not be able to continue to provide services in the normal course of business.

**Recommendation**

We recommend the Agency:

1. Take concerted efforts to address its financial instability
2. Inform Community Development Agency of the steps taken to continue as a going concern in the foreseeable future.

**Management's Response**

*On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.*

**3. Payment of salaries not in accordance with approved personnel schedule (\$66.00)**

All requests for payment of salaries must be in accordance with approved work program personnel schedules. If salaries do not conform to an approved personnel schedule, then a revised personnel schedule must be submitted to CDA for its approval as part of a contract revision request.



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**DETAILED OBSERVATION, RECOMMENDATION AND  
MANAGEMENT'S RESPONSE**

**3. Continued...**

Internal Audit noted the Agency submitted for reimbursement, salaries above the contracted amounts with Community Development Administration resulting in a questioned cost of \$66.00.

<b>Date</b>	<b>Salaries Paid</b>	<b>Benefits Paid</b>	<b>Fringes Paid</b>	<b>Total Salaries Paid</b>	<b>Reimbursement by CDA</b>	<b>(Over)/Under Reimbursements</b>
July-06	1,796.66	87.08	137.44	2,021.18	1,796.66	1,59.04
Aug-06	2,033.15	131.87	155.54	2,320.56	2,382.29	(61.73)
Sept-06	1,995.41	154.56	152.65	2,302.62	2,404.98	(1,02.36)
Oct-06	2,033.88	154.56	155.59	2,344.98	2,404.98	(60.95)
<b>Total (Overpayment)/Underpayment</b>						<b>(66.00)</b>

Without adjusting the requests for reimbursement to reflect actual total compensation, the CDA percentage of compensation paid may exceed the percentage stated in the contract budget.

**Recommendation**

We recommend the Agency:

1. Remit salary reimbursements only for only person(s) specified in the contract.
2. Reimbursement CDA by June 25, 2007 for the total amount of ineligible salaries requested, by remitting a check for \$66.00. Submit the check to: Comptroller's Office/Federal Grants Section 1114 Market St. #648, St. Louis, MO 63101 and include your account number and center number in the memo section. Furnish a copy of the check to the Internal Audit Section to the attention of Charles Schroeder, at the same address. If the Comptroller's Office does not receive the repayment by June 25, 2007, we recommend that this amount is taken from the Agency's next request for reimbursement.

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**DETAILED OBSERVATION, RECOMMENDATION AND  
MANAGEMENT'S RESPONSE**

**3. Continued...**

**Management's Response**

*On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.*

**4. Inadequate Segregation of Grant Funds**

As noted in the CDA Operating Agency Fiscal Procedures Manual, each operating agency is required to have accounting records that adequately identify the source and use of CDBG funds provided to them. In addition each organization must maintain a separate set of books for each CDBG Grant-funded project it has a contract to operate. However, those agencies that utilize commercial accounting software packages and operate several projects are exempt from this requirement if they use a coding scheme or separate set of account numbers to clearly distinguish all transactions and accounts that relate to the CDBG project.

Internal Audit noted the Agency's general ledger had the same accounting codes for Community Development Administration grant funded program, as the Agency's other grant-funded program.

Since the Agency uses an Accounting firm for its accounting needs, the firm thought this procedure was deemed acceptable. However by not recognizing each funding source with different accounting codes, makes distinguishing other sources of funding not viable and increased risk of loss or misuse of funds.

**Recommendation**

We recommend the Agency ensure different accounting codes for all Community Development Administration grant funds.

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**DETAILED OBSERVATION, RECOMMENDATION AND  
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**4. Continued...**

**Management's Response**

*On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.*

**5. Failure to Maintain Bonding**

CDA regulations require the Agency maintain fidelity (dishonesty) bonding insurance for all persons employed or authorized to perform functions related to the execution of a CDBG-funded project or activity shall be covered by a minimum amount of \$10,000. Certain positions such as Chief Executive and Chief Financial Officer require \$25,000 in coverage.

Internal Audit inquired of the Agency regarding its bonding. The Agency thus presented us with a bond effective from December 18, 2006 thru December 8, 2007. Internal Audit therefore inquired about the Agency's previous bonding to cover the entire contract period, in which the Executive Director stated the Agency did not obtain previous bonding.

Failure to maintain adequate and current fidelity bonding increases the financial risk to the Agency and potential loss of federal funds and future reimbursements.

**Recommendation**

We recommend the Agency continue to ensure and maintain current bonding for the duration of this and all contracts with Community Development Administration.

**Management's Response**

*On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.*

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**DETAILED OBSERVATION, RECOMMENDATION AND  
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**6. The Agency did not use Two Duly Authorized Signatures for Checks**

CDA Fiscal Procedures Manual requires the method of disbursement for expenditures shall be pre-numbered checks signed by the Chief Executive Officer and the Financial Officer or any two duly authorized officers. This is to enhance internal controls.

IAS observed disbursement checks were only signed by one individual of the Agency's accounting firm. According to the Executive Director, the Agency only required one signature for checks of any amount.

Internal controls are adversely impacted, also, possible delay or suspension of reimbursements to the Agency.

**Recommendation**

We recommend the Agency comply with CDA requirements and have all its disbursement checks for expenditures funded by CDA signed by two authorized officers.

**Management's Response**

*On April 19, 2007, we provided the Agency with our observations and requested a response by April 30, 2007. However, as of the date of this report, the Agency has not responded.*